

MLC – Private Equity

MLC's Private Equity program commenced in 1997 with a global investment strategy. It is one of the oldest and largest private equity investors in Australia. The 14 person team is based in Sydney, Australia.

Consistent with other asset classes, MLC uses a multi-manager approach to manage global private equity assets. As at 31 December 2012, MLC Private Equity manages approximately \$5 billion in commitments.

Why MLC Private Equity?

The MLC Private Equity team focuses on identifying superior private equity managers globally. The program currently has relationships with 60 managers spanning across 150 individual funds. The team is committed to an investment philosophy which is focused on providing best of breed global private equity exposure for MLC's investors. The mandate is return-seeking and responds to the potential offered by private equity for returns significantly in excess of those provided by the public markets.



Philosophy on investing

The team uses a global manager of manager's approach. The focus of the MLC Private Equity team is return seeking. While return, rather than diversification, is the primary driver of MLC's private equity portfolio construction, the outcome is a very well diversified portfolio; one that is diversified by managers, regions, investment subclasses, vintage years and currencies. By investing in funds, funds of funds and co-investments, MLC has exposure to thousands of underlying companies around the world.

Natalie Meyenn
Head of MLC Private Equity

Since the majority of private equity investment opportunities lie outside Australia, a global strategy provides for the greatest diversification and value added potential. The strategy seeks to access the diversification benefits of the greater range and quality of opportunities available in the global market, rather than relying solely on the domestic market.

Private equity investing requires patience, discipline, a commitment to excellent due diligence, a long-term orientation and an ability to manage illiquidity through economic cycles. MLC has unwaveringly supported this approach over its 16 year investing history.

Investment process

The MLC Private Equity program involves investment through funds in private (unlisted) markets. The mainstream sectors of private equity are:

1. Venture capital - a traditional sector of private equity investing that focuses on business formation around a technology or business model, taking a company into its early life.
2. Expansion/growth capital – growth capital that focuses on taking a company to the next stage of its life, typically involving rapid growth.
3. Buy-out/corporate capital – for the next stage of a company's development, involving a now larger and more developed company, which is further developed through organic growth, merger and acquisition, strategic or operational improvement.

There is a large dispersion of returns in private markets with the median manager achieving a similar return to public markets. In seeking to outperform public markets, MLC Private Equity focuses on finding established first quartile performers. Typically, the best and most established management groups tend to have persistently strong performance, more so than managers in public markets.

Unlike other sectors, private equity is not a level playing field. As a result, a manager's performance does have some predictive power. This is different to the way MLC assesses managers in the listed markets, where past performance has clearly been shown to be a poor indicator of the future. In the private equity sector, franchise and experience effects actually allow managers to get better as their successive funds come to market. They can improve their performance or sustain their outperformance for at least a decade. MLC has been successful in gaining access to managers of this calibre.

Accessing the Best Management Groups

The MLC Private Equity team has spent over 16 years identifying the best managers around the world. Top quartile managers often have a record of high performing funds, resulting in existing investors quickly seizing any available capacity that may arise through a new fund offering. This means the best managers are often closed to new investors, or accept them on an invitation only basis.

The MLC Private Equity team positions itself as an investor of choice to these first quartile managers. Elements of MLC's differentiation include:

- MLC is a sophisticated investor. First quartile managers prefer to have sophisticated investors who understand the process and unusual features of private equity investing. MLC is experienced in this kind of investing and uses a team, drawn from direct investing backgrounds, who comprehensively review managers from that specialist perspective. We have also focused on having an efficient and pro-active review and approval process.
- MLC is regionally well located. Managers see advantages in having strong regional players as investors. This diversifies their investor base and allows the manager to have relationships in each region that they can access if needed. With one of the largest programs in the Asia-Pacific region, MLC is well positioned to partner with the managers and add value in the local region where possible.
- As a major participant in managing part of Australia's \$1.3 trillion pool of retirement funds (superannuation), MLC has access to significant funds flow.
- MLC offers credibility, scale and continuity. These factors and MLC's disciplined strategic approach to asset allocation, is attractive to managers who value longer-term relationships and continuity.

Senior Team

Natalie Meyenn, Head of Private Equity

Natalie joined MLC in 2007 and is head of the team. As CIO, she is also responsible for global investment strategy, process and portfolio performance for private equity. She has a particular interest in emerging markets and co-investments. Her career in financial services spans over 18 years with experience in investment banking, project finance, economic and development policy. This career includes M&A for Goldman Sachs in NYC and Sydney, Asian macro-economic and debt policy for World Bank, infrastructure investments in West Africa and telecom investments in Asia. Natalie has degrees in Economics, Business and History from the Australian National University and Harvard University. She has also completed the Advanced Management Program at Harvard.

Alicia Gregory, Head of Europe

Alicia joined the MLC Private Equity team in 2005 and is Head of the European portfolio. Her primary responsibilities include identifying investment opportunities and accessing the best private equity managers, secondaries and co-investments. Alicia has over 15 years experience in the financial services sector. This career includes investment research with the ThreeSixty Investment Strategy & Research team and prior to that she worked at the Commonwealth Bank of Australia in various research and credit related roles. Alicia holds a Bachelor of Business from University of Technology, Sydney, is a CFA charterholder and has completed the General Management Programme at INSEAD.

David Chan – Head of Asia

David joined MLC in 2009 and is the Head of Asia. David has extensive experience in the financial services industry, especially in Asia Pacific. His work has covered topics including corporate strategy, strategic due diligence, M&A, IT strategy, operational implementation, product design, financial modelling and process improvement. David holds a Master of Commerce (Finance) and a Bachelor of Software Engineering with First Class Honours and the University Medal from the University of NSW and is a CFA charterholder.

Emmanuel Gounakis, Chief Operating Officer

Emmanuel is responsible for managing the investment operation functions of the private equity business including; accounting, information management and systems, client reporting and communication, strategy and forecasting along with international tax and legal structures. Emmanuel has been with MLC since 1998 with a financial services background exceeding 10 years and extensive experience in strategy, accounting and risk management. Emmanuel holds a Bachelor of Commerce (Accounting & Finance) from the University of NSW and is a member of the Australian Certified Practising Accountants of Australia.

Performance

Over the ten years to 31 December 2012, the currency hedged private equity portfolio has delivered a return of 13.1% per annum and outperformed its global public markets benchmark by 3.6% p.a.

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